

## Board Statement on Deforestation Concerns

Date: 12<sup>th</sup> June 2024

LOLC (Cambodia) Plc. is steadfast in its commitment to environmental stewardship and social responsibility. We understand the critical importance of preserving our natural resources and categorically deny any support for deforestation activities, either directly or indirectly, through our lending practices.

Recent concerns have been brought to our attention regarding the potential for deforestation linked to our financial services. In response, our Board of Directors initiated a comprehensive review, led by our Head of Internal Audit, focusing on the areas highlighted in the article “Microloan Exacerbate Deforestation in Cambodia” covering residents in three areas including Kteh village in Kampong Speu, Tonsaong Thleak village in Kratie province and Srae Preah commune in Mondul Kiri province. This review has confirmed that LOLC (Cambodia) Plc. does not operate in Kteh village. Our operations in Srae Preah commune and Tonsaong Thleak fall within designated Community zones, where we strive to support sustainable community development.

Despite these findings, we acknowledge that isolated incidents of deforestation by some loan recipients have occurred. To address this, we are taking decisive steps to reinforce our environmental safeguards and lending protocols:

- **Enhanced Staff Training:** We are instituting mandatory, comprehensive training for all personnel working in regions susceptible to deforestation. This initiative will bolster their understanding of environmental laws, prohibited activities, protected areas and our firm's anti-deforestation policies.
- **Rigorous Lending Procedures:** Our lending process will undergo stringent enhancements to meticulously assess business incomes and potential deforestation risks associated with our clients' activities. Continuous monitoring post-loan disbursement will be implemented, ensuring adherence to our environmental standards.
- **Proactive Client Communication:** Official notifications will be dispatched to clients implicated in deforestation, unequivocally stating that such conduct is in breach of our policies. The Board has empowered management to enforce loan recovery measures, including the settlement of outstanding loans within 90 days from the notice issuance. Clients found in violation will be designated as non-compliant and excluded from future services.

LOLC (Cambodia) Plc. remains dedicated to empowering our clients while safeguarding the environment. We believe in the transformative power of financial services to alleviate poverty, provided it is exercised with the utmost responsibility. Our commitment to continuous improvement is unwavering, as we evolve our practices to ensure that our financial products do not inadvertently contribute to deforestation.

We appreciate the dialogue initiated by concerned parties and welcome ongoing engagement to further our shared goal of environmental conservation.

